



**PENDRAGON
PLC**

FOR IMMEDIATE RELEASE

23 February 2010

UNAUDITED PRELIMINARY RESULTS TO 31 DECEMBER 2009

Pendragon PLC, the UK's leading car retailer group, today reports unaudited preliminary results for the twelve months to 31 December 2009.

Highlights:

- Revenue £3.2 billion (2008: £4.2 billion)
- Underlying gross margin 15.4% (2008: 13.2%)
- Underlying profit before tax £10.1 million (2008 loss: £33.6 million)
- Profit before tax £1.3 million (2008 loss: £194.0 million)
- Underlying earnings per share 1.1p (2008: (3.5)p)
- Basic earnings per share 0.1p (2008: (24.4)p)
- Cash generated from operations £93.3 million (2008: £53.6 million)
- Net debt reduced by £41.9m

Trevor Finn, Chief Executive, commented:

“The Group has successfully dealt with the most challenging market conditions experienced since the nineties. We acted swiftly to implement significant cost saving and debt reduction actions. During 2009 we concluded a successful refinancing to secure the long term future of the Group. Consequently, we are now in sound shape and have returned to profitability. While we anticipate our market will remain difficult in 2010, we are well positioned to focus on the profit opportunities that will drive our core business forward.”

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Introduction

With market conditions more stable and the full year benefit of cost saving measures being experienced, the Group is emerging from the most challenging market conditions since the early nineties. The Group made an underlying profit before tax of £10.1 million, a recovery of £43.7 million over the 2008 underlying loss of £33.6 million. The profit before tax was £1.3 million for the year (2008: loss £194.0 million). Cash generated from operations was £93.3 million (2008: £53.6 million). Net debt was £315.4 million (2008: £357.3 million).

On 30 April 2009, the Group negotiated a new three year secured financing package with its lenders. As a result of the improvement in profitability, and debt reduction during the year, covenant measures have been comfortably achieved since the refinancing and there continues to be significant headroom on the overall facility.

Cost reduction measures remained an important area of focus for the Group with the result that a further 26 franchise points closed during the year and further headcount reductions were implemented leaving the Group in a more robust shape for future trading.

Financial Performance

£m	2009 Underlying	2009 Total	2008 Underlying	Restated* 2008 Total
Revenue	3,172.7	3,191.7	4,025.5	4,162.4
Underlying operating profit	53.4	53.4	25.8	25.8
Non-underlying operating items	-	2.2	-	(156.7)
Operating profit / (loss) before other income	53.4	55.6	25.8	(130.9)
Other income – gain / (loss) on sale of property and businesses	-	1.1	-	(5.2)
Operating profit / (loss)	53.4	56.7	25.8	(136.1)
Net finance costs	(43.3)	(43.3)	(61.6)	(61.6)
Non-underlying finance costs	-	(12.1)	-	7.7
Share of joint venture profit / (loss)	-	-	2.2	(4.0)
Profit / (loss) before tax	10.1	1.3	(33.6)	(194.0)
Tax	(2.9)	(0.5)	11.5	38.7
Profit / (loss) after tax	7.2	0.8	(22.1)	(155.3)
Earnings per share – basic	-	0.1p	-	(24.4)p
Earnings per share – underlying	1.1p	1.1p	(3.5)p	(3.5)p
Dividend per share	-	-	0.5p	0.5p

* see note 1

As a consequence of our decision to reduce low margin fleet activity, together with the impact of the reduction of the new vehicle market in 2009, revenues fell to £3.2 billion in 2009 from £4.2 billion in 2008. The reduction includes approximately £476 million related to reduced levels of low margin fleet business and £222 million from the reduction in used volume, which was driven by constrained supply during the refinancing process. Underlying operating profits were £53.4 million compared to £25.8 million in 2008 and each of our operating divisions was profitable at this level. The improvement in these trading profits is primarily driven by margins in used car sales, which recovered strongly during the year, and the benefit of the cost saving actions initiated in the prior year. Underlying finance costs have reduced by £18.3 million on 2008 including £17.6 million stocking interest saving driven mainly by a £211 million year on year reduction in stock levels. After financing costs we made a profit before tax and non-underlying items of £10.1 million compared to a loss of £33.6 million before tax and non-underlying items in 2008.

Non-underlying items

We have recognised a number of non-underlying costs in 2009. These primarily arose due to further redundancies and dealership closures together with an update to our VAT provision and items relating to accounting for the refinancing.

Non-underlying items	2009 £m	Restated 2008 £m
Closed businesses and redundancy costs	(10.7)	(25.1)
Goodwill impairment	(0.8)	(58.1)
Fixed asset impairment and net disposal profit / (loss)	(0.1)	(38.7)
Release of accruals no longer required	-	6.4
Net loss on refinancing	(9.6)	(6.1)
Pension net finance (charge) / income	(3.8)	4.0
VAT refund	-	15.1
VAT provision movement	16.2	(26.8)
Inventory write down	-	(24.9)
Impairment of Joint Venture	-	(6.2)
Total	(8.8)	(160.4)

We are reporting net non-underlying costs before tax of £8.8 million for 2009 (2008: £160.4 million). These include £8.6 million of losses on closed businesses arising from the date of announcement to close and £2.1 million of redundancy costs. We have impaired goodwill by £0.8 million in respect of franchises we have decided to exit. We have a net impairment in respect of property of £1.2 million and generated profits on disposal of fixed assets of £1.1 million. In addition, we have incurred a net loss relating to the refinancing of our borrowings and expensing of fees related to reviewing other financing options. The net impact is a non-underlying loss of £9.6 million. We continue to take a cautious view relating to open VAT issues and continue to hold a provision in respect of sales of vehicles to certain disabled customers at the same level as 2008. There has been a release of a £16.2 million provision in respect of the VAT treatment of partial exemption within our finance and insurance operations which was resolved during the year with HMRC conceding the case. In 2008 the net pension finance income was not treated as a non-underlying item. However, given the volatility of

this amount, this has now been treated as a non-underlying item. The 2008 comparative has been disclosed as a non-underlying item this year to ensure consistent presentation.

Dividend

No interim dividend was paid during the year and no final dividend is proposed. An interim dividend of 0.5 pence was paid in October 2008 and no final dividend was paid in respect of 2008. In the near term, the company will be focussed on conservation of cash and reduction of borrowings.

Strategy

Pendragon has over time become the largest independent operator of franchised motor car dealerships in the UK, mainly as a result of acquisitions, although there has also been substantial investment in greenfield sites. The group now operates 276 franchises points (2008: 301). As a result of expansion, Pendragon sells a broad range of new and used motor cars and commercial vehicles and has a substantial presence in the UK vehicle leasing, wholesale parts and dealership management software markets. Pendragon operates nine franchise points in California.

Our strategy was to grow the number of franchises we operate and have scale with selected manufacturer brands. This enabled us to reduce fixed overheads related to operating car franchises and realise benefits of economies of scale. The scale of our business has also enabled us to maintain a diversified portfolio of franchises representing both volume and luxury brands. These are sold through the Evans Halshaw and Stratstone brands respectively.

The franchise portfolio is constantly reviewed and dealerships that are determined to be uneconomical are closed or sold, or the location refranchised. This strategy has led to a number of closures during the last two years. It remains our intention to represent a broad range of vehicle manufacturers and have meaningful scale with them. Where we believe the long term prospects for a particular franchise are poor we will exit that franchise as soon as is practicable.

Our strategy to grow the business has led to competitive advantage over smaller rivals in a number of areas, for example, through the Group's shared services centre, central marketing, IT capability and through its buying power. The critical mass of the Group also drives profitable functional integration in contract hire, wholesale parts distribution and dealership management systems.

During 2008 and 2009 the Group undertook significant cost saving and debt reduction actions and concluded a successful refinancing to secure the long term future of the Group. Having undertaken those actions management has returned attention to the areas of the business where the greatest profit growth opportunities lie. We see those opportunities existing primarily in our servicing and used car operations.

Our markets

Our principal market is in the UK and splits into four main areas: new vehicle sales, used vehicle sales, aftersales service and leasing and support. The UK new car market is split between retail and fleet. Fleet business tends to be high volume and low margin. Whilst the Group conducts some fleet business we are highly selective as to which business we transact. In addition to being low margin, fleet business is higher risk than retail and consumes a disproportionate amount of working capital compared to the profits it generates. In 2009 the Group continued to reduce activity in this area for those reasons with a reduction in fleet volume from 61,600 units in 2008 to 24,600 units in 2009. The primary focus of the Group in the new car market is on retail sales.

Prior to the economic downturn, on average over the last five years, the market for new cars in the UK has been 2.4 million. In 2009 the total number of new car registrations in the UK was 1,995,000, of which 285,000 had been generated by the scrappage scheme. The overall reduction was 6.4% compared to 2008 whereas in the brands that we represent the UK registrations were down 5.8% year on year. Pendragon outperformed the market for new retail car sales. Like for like our UK retail car new unit sales were down 0.3% year on year. Excluding the impact of the scrappage scheme, total UK registrations were down 19.8% on 2008. Excluding scrappage, our UK retail new unit sales were down 12.1% compared to the market reduction in retail new unit registrations of 18.2%. The reduction in new car sales volume is expected to continue in 2010 with industry estimates of around 1.8 million new vehicle registrations. Excluding the remaining scrappage volume of 115,000 through to the closure of the scheme in 2010, industry expectations are that new volume will fall by approximately 0.5% year on year. Industry expectations are then for the underlying new car market to grow by approximately 9% in 2011. Pendragon sold 106,000 new vehicles in the UK in 2009, which equates to 5.3% of the total market. This proportion is down on 2008 where Pendragon sales were 6.4% of the market. Excluding

the reduction in fleet and scrappage sales our proportion of the retail market in 2009 was 8.5% compared to 7.9% in 2008.

The volumes of used car sales sold has proved to be resilient during the downturn. Volumes of used cars sold in the UK have historically been around 7.5 million per annum. Latest available data shows that the annual sales to the end of September 2009 were 6.9 million. In 2009 the Group sold 107,000 used cars in the UK, which was approximately 1.5% of the market. During the early part of 2009 our used car stock levels were constrained during the refinancing process but have now returned to levels appropriate for our sales targets. During the first half of 2009 our used sales were 21.6% down on the prior period whereas in the second half our used car sales were 7% up on the equivalent period in the prior year. The Group has traditionally operated in only part of the market and retailed used cars up to three or four years old. However we have moved into the older used car market and see this as strengthening the used car sales part of our business. Whilst volumes fell during the year, there was a significant recovery in wholesale used car prices and as a result the gross margin. The combined effect was that we achieved a higher level of used car gross profit than last year.

The total number of cars on the road in the UK was growing up until 2008. The reduction in the new car market and the scrappage scheme in 2009 has resulted in a small fall in the car parc. However, it is still estimated to be in excess of 31 million. The size of the market for aftersales has grown in line with the car parc in the UK and tends to be less affected by economic cycles as motor cars require regular maintenance and repair for both safety and performance reasons. Aftersales growth has been held back by the reduction in car sales which reduces the volume of internal preparation work and subsequent servicing. Overall aftersales turnover is down 12.7% whereas retail aftersales turnover, which excludes warranty and internal work, is down 3.5%. Again, conditions improved in the second half with retail service back only 2.2% compared to a decline of 4.7% in the first half.

The commercial vehicle van and truck market in the UK has a market size of 221,000 new units in 2009, down 36.2% compared to 2008 of which commercial van registrations were down 35.6%. Our commercial van volume fell 49.6% reflecting our decision not to participate in lower margin, higher risk fleet van business. The key area in this market is aftersales service which remained strong in 2009

The Group also operates in certain ancillary markets. We operate a vehicle leasing and contract hire business in the UK. Profits are generated when we sell the used car after it is returned to us at the end

of the lease period. Profitability of our leasing business has returned to more normal levels as the used car market stabilised during the year.

In the UK we have continued to build a presence in the market for dealer management software systems. The market for these systems is primarily linked to the number of franchised dealers and is served by a relatively small number of providers. We mainly sell into the UK and we see this as a good growth area for our business. We have also achieved some sales in South Africa which has the opportunity for further growth.

We operate a small division in California with Land Rover, Jaguar and Aston Martin franchises. The USA total car market was 10.4 million units in 2009, down by 21% on 2008. Land Rover volumes decreased by 20% in line with the decline in the USA market. Volumes in the Jaguar brand were supported by a daily car hire fleet deal completed in December 2009 and as a consequence the decrease in Jaguar volumes of 9% was well ahead of the overall market. Although a low volume brand, Aston Martin unit sales decreased by 33% in the year which was in line with the national USA performance for this brand.

Operational Review

Our Group is structured operationally to reflect the range of business activities we undertake and we have seven distinct trading divisions. The core vehicle retail business consists of two divisions, Stratstone and Evans Halshaw, together with our Chatfields truck business and California operations in the USA. Support businesses consist of leasing, parts wholesale and software.

During the year management continued to take action on the cost base of the business to maintain it in line with expected activity levels. This is a dynamic area of management which is supported by our technology platform and management information systems.

In terms of dealership closures we closed or sold 26 franchise points which had combined operating losses and closure costs of £8.6 million in 2009, and opened one dealership. We have also identified nine further closures in 2010. When deciding upon dealership closures management considers the strategic future of the franchise, the level of losses which will be eliminated, the amount of business

which will migrate to adjacent Group owned dealerships and the costs of closure which will primarily be stock disposal, redundancy and property costs.

We have reduced job roles by 367 on a like for like basis through ongoing redundancy exercises to maintain appropriate headcount levels and by 879 overall including job roles relating to closed businesses. The job losses have been spread across all areas of the business. Resource levels continue to be monitored to ensure that the correct level is in place for the existing and projected activity levels. The one-off redundancy cost was £2.1 million.

The Group has maintained a tight management of inventory. Total inventory levels have reduced by £211 million during 2009. Having successfully reduced stock in 2008, the focus in 2009 was to continue to reduce the level of new stock and to maintain the correct level of used stock relative to sales levels. In the early part of the year, during the refinancing process, our ability to hold used stock was constrained and consequently some used car sales opportunities were lost. We have continued to reduce new car stocks in order that we minimise the manufacturer stockholding interest charges and the risk of ageing vehicle stocks.

Revenues and operating profits by division are summarised below:

£m	2009		2008	
	Revenue	Operating profit	Revenue	Operating (loss) / profit
Stratstone	1,149.1	18.6	1,357.7	(2.5)
Evans Halshaw	1,709.8	14.2	2,271.2	6.1
Chatfields	107.6	1.2	174.5	3.6
Support businesses	118.7	18.1	142.3	17.2
USA	139.7	1.3	148.9	1.4

Gross margin trends are as follows:

	2009			2008		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
New	1,558.2	118.6	7.6%	2,165.8	146.0	6.7%
Used	962.7	117.8	12.2%	1,139.3	113.0	9.9%
Aftersales	391.3	216.2	55.3%	448.3	241.7	53.9%
Trade/wholesale	194.0	(0.9)	(0.5)%	198.9	(10.8)	(5.4)%

Stratstone Our Stratstone brand is the UK's leading luxury motor car retailer with 118 franchise points. Each location sells new and used vehicles and undertakes aftersales service and parts sales. Stratstone holds franchises to sell and service Aston Martin, BMW, Cadillac, Corvette, Ferrari, Honda, Jaguar, Land Rover, Lotus, Maserati, Mercedes-Benz, MINI, Porsche, Saab, Smart and Volvo. Stratstone also holds seven motorcycle franchises.

Nationally the luxury sector was the first to enter the recession with sales initially falling faster than the volume, van or commercial vehicle sector. We are now starting to see the recovery in this sector. The market for new vehicle registrations for brands we represent in this luxury sector fell by 7.9% in 2009. However, in the first half of 2009 sales fell 27.4%, whereas in the second half they rose by 20.3%. The registration changes in the brands where we have the greatest presence were a 10.3% reduction in Jaguar, Land Rover registrations were down 10.4% whilst BMW and Mercedes-Benz were down 12.8% and 3.5% respectively. Excluding scrappage, first half of 2009 sales fell 29.4% whereas in the second half they rose by 7.7%. In total our new car volumes were 6.1% down on 2008 on a like for like basis and our gross margins were 0.9% down on 2008. Used car like for like volumes were down by 11.9% on 2008 whereas gross margins increased by 3.4% year on year as a result of the recovery in wholesale prices. Our aftersales activity reduced overall although retail aftersales were only marginally down by 1.8%. Gross margin remained marginally behind the prior year.

The split of activities within the Stratstone brand is detailed below to show the respective shares of revenue, gross profit and the gross margins achieved.

	2009			2008		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
New	45%	28%	9.1%	43%	33%	10.0%
Used	39%	24%	9.2%	41%	18%	5.8%
Aftersales	12%	48%	59.2%	11%	53%	59.9%
Trade/wholesale	4%	0%	0.3%	5%	(4%)	(9.1%)
Total	100%	100%	14.9%	100%	100%	13.0%

The relative proportion of gross profit generated by activity has changed in line with the market in 2009. “Trade” represents cars sent to auction which did not fit the Group’s sales profile. Trade sales margins improved in line with the general market for used cars. We did not repeat the losses that were made in 2008 which arose as a consequence of the aggressive reduction of stock in the last quarter in 2008.

The following information relates to total units sold and gross profits per unit. Total units sold consist of both new and used cars. Gross profit per unit is the margin achieved on sales before overheads and includes income from finance and insurance products.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit / (loss)	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	1,136.1	169.2	14.9%	19.5	1.7%	45.1	
Disposed	13.0	1.7	12.8%	(0.9)	(6.8%)	0.9	
Total 2009	1,149.1	170.9	14.9%	18.6	1.6%	46.0	1,907
Total 2008	1,357.7	176.8	13.0%	(2.5)	(0.2%)	54.9	1,527

Revenue at our existing dealerships was down year on year by £128 million, mainly due to a reduction in the volume of new cars sold. The total gross margin was up mainly due to improvements in used vehicle gross margin over 2008.

The impact on revenue of the reduction in volume of new cars sold was £65 million. Despite the difficult economic trading conditions, a number of our represented franchises improved their new unit retail performance over the prior year. Land Rover, Mercedes-Benz, Honda and Volvo improved their unit retail performance over 2008. Used car volumes were down, impacted by our constrained stock position in the first half of the year, but due to improvements in margin overall used department profit improved by £8.8 million with profit per unit up significantly. Aftersales revenues fell by £15.3m. However, the second half profile for aftersales was much improved over the first half. Overall, retail service sales were marginally down, by 1.8%, which again demonstrates the resilience of our aftersales business in periods of economic decline. Our like for like operating costs reduced by £14.7 million as compared to 2008 and, whilst we will seek to grow the business in line with the opportunities and the economic recovery, cost control remains a strong focus for the business.

16 franchise points were closed or sold during the year and incurred operating losses of £0.9 million up to the announcement of closure. This included exiting the Chrysler Jeep franchise, reducing Saab dealerships from four to two and closing other individual loss-making dealerships. An Aston Martin dealership was opened, replacing a previous dealership in the West Midlands that had closed in 2008.

Evans Halshaw Our Evans Halshaw brand is the UK's leading volume motor car retailer, with 128 franchise points. Evans Halshaw holds franchises to sell and service Chevrolet, Citroen, Fiat, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall.

Scrappage has been a major factor in the volume sector, particularly in the second half of the year. Nationally the market for new vehicle registrations for the brands we represent in this volume sector fell by 5.1%. Excluding scrappage the market for the brands we represent fell by 20.4% year on year. In the first half of 2009 sales fell 25.3% whereas in the second half they rose by 23.7% due to the scrappage volumes. Excluding scrappage, in the first half of 2009 sales fell 30.0% and in the second half they fell by 6.6%.

The overall reduction disguises some significant movements in individual brands. For example, Ford registrations were down 1.9% whereas Vauxhall registrations were down 20.4% reflecting the fact that Ford had new models that were more suited to participation in the scrappage scheme. Whilst in total our new car volumes were 34.0% down on 2008 on a like for like basis, excluding fleet, our volumes were only 2.1% lower than 2008. Our new car gross margins were 1.4% up on 2008. Similarly to Stratstone, used volume was impacted by our constrained stock position in the first half of the year. Like for like volumes were down by 8.3% on 2008 with the first half 21.3% behind but the second half 8.1% ahead. However, used margin was strong with gross margins improving by 1.2% year on year, reflecting the significant improvement in used car prices in the first half of the year. Aftersales revenues fell overall for the year, but similar to Stratstone, we saw a pronounced impact in the first half with retail revenue back 7.0% but recovering in the second half to only 2.7% behind the prior year.

	2009			2008		
	Revenue	Gross profit	Gross margin	Revenue	Gross profit	Gross margin
New	52%	25%	6.6%	61%	27%	5.2%
Used	29%	31%	15.3%	24%	30%	14.1%
Aftersales	11%	44%	56.6%	10%	44%	53.1%
Trade/wholesale	8%	0%	(0.7)%	5%	(1%)	(3.4%)
Total	100%	100%	13.9%	100%	100%	11.6%

The recovery in used car prices caused used margins to improve and losses on trade cars to be significantly reduced.

Aftersales gross margin improved 3.5% year on year and overall aftersales maintained its proportion of the total gross profit and revenue. Motor vehicles are regularly serviced and repaired to ensure safety and performance standards are maintained and, importantly, to protect their resale value. Aftersales therefore plays an important role in mitigating the effect of the economic cycle.

£m	Revenue	Gross profit	Gross margin %	Underlying Operating profit / (loss)	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Existing	1,701.7	236.3	13.9%	14.5	0.8%	162.0	
Disposed	8.1	1.2	14.8%	(0.3)	(3.3)%	0.9	
Total 2009	1,709.8	237.5	13.9%	14.2	0.8%	162.9	815
Total 2008	2,271.2	263.1	11.6%	6.1	0.3%	219.9	664

Revenue at our Evans Halshaw dealerships was down year on year by £561 million, mainly due to a reduction in the volume of new cars sold which was £484 million. This was largely due to our decision to reduce low margin fleet activity, offset by the benefit of the scrappage scheme. The gross margin increased by 2.3% which was mainly as a result of the improvement in used car margins. We also experienced an improvement in new car margins of 1.4% reflecting the assistance the manufacturers have provided in the difficult new car trading conditions.

New retail volume in a number of our franchises performed strongly despite the tough trading environment. Ford new retail unit volume was up 18.7% and Nissan was up 63.5% whereas Vauxhall was 25.5% down, Citroen down 11.7%, Peugeot down 6.5% and Renault down 9.2%. New car profit per unit was ahead of last year by 27.2% which counterbalanced the unit shortfall. Used car volumes were down on the prior year as a result of constrained supply but gross margin was up by 1.2%. Overall used profitability was marginally behind last year by £3.3 million but lack of used stock in the first half of the year had a larger impact in the Evans Halshaw business than in Stratstone. Used volume was 21.3% down in the first half but was 8.1% ahead in the second half.

Aftersales revenues and profits for retail customers were marginally behind last year as consumers initially delayed the servicing of their vehicles at the height of the economic slowdown. In the first half our retail aftersales revenue was back by 7.0% but in the second half as the economic recovery began retail aftersales revenues were only back by 2.7%. Internal service sales were impacted by the volume

reduction. Despite the reduction in aftersales turnover of £35.5 million, our strong cost management ensured that we improved margin in aftersales by 3.5%. Our like for like operating costs reduced by £18.8 million as compared to 2008 and, whilst we will seek to grow the business in line with the opportunities and the economic recovery, cost control remains a strong focus for the business.

Ten dealerships were closed during the year and incurred operating losses of £0.3 million up to the announcement of closure.

Chatfields Under our Chatfields brand we sell and service commercial vans and trucks in the UK with 21 franchise points. Chatfields holds franchises to sell and service Iveco, DAF and LDV.

The market for new truck sales in 2009 was down by 39.5% overall whereas the van market was down by 35.6%. The commercial vehicle market has been affected by the economic downturn as customers defer purchases and the general economy slowed.

Nearly three quarters of gross profits in this division are derived from the aftersales activity. This tends to be a higher proportion than in the motor car divisions because of the shorter service intervals required for commercial vehicles and the operation of overnight servicing in many of the locations. Gross margins for new vehicles were in line with 2008 and used margins were up by nearly 2%.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Total 2009	107.6	18.3	17.0%	1.2	1.1%	2.5	1,378
Total 2008	174.5	23.9	13.7%	3.6	2.1%	4.1	1,497

Operating profit is down £2.4 million mainly due to the reduction in new van volumes. The market for new and used trucks has weakened significantly and we expect it to remain subdued for the next 18 months. However, the aftersales business is likely to continue to be resilient.

Leasing In 2009 we commenced the consolidation of our IT platforms and introduced the new CFC Contract Manager 4 system within the business. Pendragon Contracts continues to offer a range of products and services mainly to the small corporate and medium fleet market for fleet sizes of up to 1,000 vehicles.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Fleet numbers 000's
Total 2009	29.6	10.8	36.6%	8.0	27.2%	13.6
Total 2008	39.6	11.2	28.4%	8.7	21.9%	15.5

The fleet size reduced due to external funders' higher credit underwriting policies and the significantly lower level of new vehicle contracts that were available in the market place given the broader economic conditions. The recovery in used vehicle prices ensured that margin and profit levels were maintained.

Quickco Under our Quickco brand we operate an independent genuine parts wholesale business serving wholesale and dealer customers throughout the UK. Quickco operates seven different manufacturer franchises, from ten depots across the country, with an extensive fleet of vans making in excess of 60,000 deliveries per month on a next day or same day basis.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %
Total 2009	67.9	15.4	22.6%	1.7	2.6%
Total 2008	76.8	16.5	21.4%	1.5	1.9%

In 2009 there has been a continued focus on reducing costs and working capital. The segment of the customer base that faced the most challenging environment within the year was the accident repair market due to falling accident rates. Quickco focussed on reducing credit risk in this volatile market, reducing credit terms where appropriate. In addition Quickco was very successful in winning new contracts with national repairers and insurers where the credit risk is lower.

Pinewood Pinewood is one of three main Dealer Management System (DMS) suppliers in the UK and has pioneered the delivery of Software as a Service (SaaS) in the motor industry. Pinewood's main product is 'Pinnacle', a browser based, web delivered DMS which manages and reports on most aspects of a franchised motor dealer's business.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %
Total 2009	21.2	14.9	70.2%	8.4	39.7%
Total 2008	25.9	15.9	61.4%	7.0	27.0%

External customer orders and implementations fell away at the end of 2008 and regular levels of activity did not resume until confidence returned in the second half of 2009 once dealers were happy to consider replacement dealer management systems. Group IT expenditure in 2009 has been reduced to reflect the change in dealership representation. Pinewood launched an Integrated Electronic Vehicle Health Check module in 2009 which has been implemented within the Stratstone and Evans Halshaw dealers. Early sales of this product to external dealers have been encouraging. Following interest from both dealers and manufacturers in South Africa, Pinewood has appointed a reseller in the region. Our reseller has secured orders and implementations commenced in 2009 with further implementations planned for 2010.

California At the end of the year the division consisted of nine franchises in Southern California which operate Jaguar, Land Rover and Aston Martin brands.

£m	Revenue	Gross profit	Gross margin %	Underlying operating profit	Underlying operating margin %	Total units sold '000	Gross profit per unit £
Total 2009	139.7	25.1	18.0%	1.3	1.0%	3.4	3,337
Total 2008	148.9	26.1	17.5%	1.4	1.0%	4.6	2,670

The reduction in revenue is attributed both to market conditions adversely affecting unit sales, reduced service hours and to the reduced number of locations. In 2008, we sold our remaining Saab dealership in Santa Monica and we closed the loss making Saturn store. In January 2009 Bauer Jaguar was closed following the establishment of Jaguar and Aston Martin franchises from that site at the Newport Beach facility.

The reduction in gross profit is the result of lower vehicle sales and a 25% reduction in service hours due to reduced Jaguar unit sales, improved Land Rover product reliability and the reduction of manufacturer scheduled maintenance on Land Rover product in the USA.

Operating margins were maintained as a result of cost savings, particularly in payroll, and reduced property costs.

Property

Our property portfolio is an important aspect of our business which we seek to utilise in the most cost effective manner. We operate from both leasehold and freehold properties. In addition, through strategic investment choices and the decision to close some dealerships, we have a number of vacant property assets which are held for sale. At the year end we held £176.5 million of properties on the balance sheet as well as £26.6 million of properties held for sale.

In 2009 we disposed of five freehold properties which were operationally surplus to requirements. This resulted in proceeds of £5.6 million and profit of £1.0million.

Regarding our investment in our joint venture property company, we continue to hold this investment at £nil. This is as a consequence of property values having fallen and the joint venture company being in breach of its banking covenants. The structure is non-recourse to the Group and therefore we have no obligations to the joint venture other than as tenants to pay the rents and as service provider to manage the property portfolio.

Cash flow

Our borrowings as at 31 December 2009 were £315.4 million compared to £357.3 million at the end of 2008. Reduction of debt has remained a continuing area of strict control.

The cash flows of the business are summarised as follows:

£m	2009	2008
Underlying operating profit	53.4	25.8
Depreciation and amortisation	47.8	56.3
Non-underlying cashflow	(10.7)	(19.8)
Underlying working capital movement	2.3	(8.9)
Other items	0.5	0.2
Cash generated from operations	93.3	53.6
Net interest paid	(46.4)	(64.1)
Tax	2.3	15.0
Replacement capital expenditure	(15.1)	(18.3)
Free cash flow	34.1	(13.8)
Acquisitions	(4.0)	(14.5)
Disposals	6.2	21.0
Dividend	-	(15.9)
Other	5.6	(2.1)
Reduction / (increase) in net debt	41.9	(25.3)

Cash flow generated from operations was £93.3 million, which compares with £53.6 million generated in 2008. The underlying operating profit has increased by £27.6 million and underlying working capital has remained broadly flat year on year. The working capital cash outflow is stated after £12.7 million cash payments made to reduce the deficit in our pension schemes (2008: £19.0 million). Non-underlying cash flows, principally comprising costs related to redundancies and closed dealerships, were £10.7 million. In the prior year these cash flows included £6.8 million of VAT refund.

There has been a £17.7 million reduction in year on year net interest paid. This includes a reduction of £17.6 million in respect of stocking finance charges primarily as a result of the reduced stock levels. The main additional component of the reduction in interest cost is due to the lower bank base rates and lower debt, offset by the higher margins payable from the inception of the refinancing. The prior year

interest cash flow includes the benefit of £8.3 million interest received in connection with a VAT refund.

Refunds of taxation payments made in advance in previous periods were £2.3 million in comparison to taxation refunds in 2008 of £15.0 million.

Replacement capital expenditure was £15.1 million which includes plant and machinery, fixtures and fittings and motor vehicles (2008: £18.3 million). Expenditure on plant and machinery and fixtures and fittings was £2.5 million (2008: £2.5 million). The balance of the expenditure of £12.6 million (2008 £15.8 million) is in respect of motor vehicles used either for our contract hire fleet or for service loan cars for our customers.

Business disposals raised £0.6 million in 2009 (2008: £7.7 million), which related to the sale of one dealership. Surplus property disposals raised £5.6 million (2008: £13.3 million).

Year end financing

The breakdown of funding at the year end was as follows:

£m	2009	2008
Bank	310.6	349.4
Finance leases	4.8	7.9
Net Debt	315.4	357.3
Stock finance	126.2	134.1
Manufacturer finance arm	254.2	486.4
Total funding	695.8	977.8

When considering vehicle stocks from a funding risk view point we split the funding into that which is funded by the manufacturer through their related finance arm and that funded by ourselves through stock finance facilities and bank borrowings. Financing for stock other than through bank borrowings is shown in trade creditors in the balance sheet. Manufacturers' finance arms tend to vary the level of finance facilities offered dependent on the amount of stocks their manufacturer wishes to put into the

network and this varies depending on the time of year and the level of production. Manufacturer financed stock has been reduced dramatically during the year with the consequent reduction in finance creditors seen above and the resultant benefit to our stocking finance charges.

VAT

In common with other companies in the industry, the Group is in discussion with HM Revenue and Customs over a number of issues arising from recent developments in case law and the VAT treatment of sales of vehicles to certain disabled customers.

During the previous period a VAT refund of £6.8 million net of costs in respect of VAT overpaid on demonstrator vehicles over the period 1973 to 1996 was received together with a receipt of associated interest of £8.3 million disclosed within finance income.

At 31 December 2008 the Group had made provision of £26.8 million in respect of assessments raised by HM Revenue and Customs over the VAT treatment of sales of vehicles to certain disabled customers and the VAT treatment of partial exemption within our finance and insurance operations. The latter issue has been resolved during the period with HM Revenue and Customs conceding the case. As a consequence of this the provision in respect of this matter of £16.2 million has been released and is shown as a non-underlying item. The provision at 31 December 2009 stands at £10.6 million in respect of the VAT treatment of sales of vehicles to certain disabled customers, which the Group continues to discuss with HM Revenue and Customs.

Additional amounts of VAT receivable and payable may be recognised in future periods in relation to these outstanding matters, and although these amounts, if any, could potentially be significant, it is difficult at present to quantify them.

Outlook

We expect the used car market to remain stable and aftersales to be resilient. In 2010 we therefore expect our used car margins to remain solid and aftersales to benefit from growth opportunities. We concur with the SMMT view that the new car market will remain subdued for the next 12 months. We believe a gradual improvement will then be seen. We have taken actions which give us confidence that we will improve the performance of the Group in 2010 despite the anticipated difficult markets. The

Group is now well placed to take advantage of markets when they recover and is currently trading in line with our expectations.

TREVOR FINN
CHIEF EXECUTIVE
23 February 2010

Consolidated Income Statement

Year ended 31 December 2009

	Underlying £m	Non- underlying £m	2009 £m	Underlying £m	Restated* Non- underlying £m	Restated* 2008 £m
Revenue	3,172.7	19.0	3,191.7	4,025.5	136.9	4,162.4
Cost of sales	(2,683.5)	(16.1)	(2,699.6)	(3,495.8)	(123.4)	(3,619.2)
Gross profit	489.2	2.9	492.1	529.7	13.5	543.2
Operating expenses	(435.8)	(0.7)	(436.5)	(503.9)	(170.2)	(674.1)
Operating profit / (loss) before other income	53.4	2.2	55.6	25.8	(156.7)	(130.9)
Other income – gains / (losses) on the sale of businesses and property	-	1.1	1.1	-	(5.2)	(5.2)
Operating profit / (loss)	53.4	3.3	56.7	25.8	(161.9)	(136.1)
Finance expense (note 4)	(45.0)	(27.7)	(72.7)	(64.3)	(23.3)	(87.6)
Finance income (note 5)	1.7	15.6	17.3	2.7	31.0	33.7
Net finance costs	(43.3)	(12.1)	(55.4)	(61.6)	7.7	(53.9)
Share of loss before tax from joint venture	-	-	-	2.2	(6.2)	(4.0)
Share of income tax expense from joint venture	-	-	-	-	-	-
Share of post tax profit from joint venture	-	-	-	2.2	(6.2)	(4.0)
Profit / (loss) before taxation	10.1	(8.8)	1.3	(33.6)	(160.4)	(194.0)
Income tax (expense) / credit (note 7)	(2.9)	2.4	(0.5)	11.5	27.2	38.7
Profit / (loss) for the year	7.2	(6.4)	0.8	(22.1)	(133.2)	(155.3)
Earnings per share (note 3)						
Basic			0.1p			(24.4)p
Diluted			0.1p			(24.4)p

* see note 1

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 £m	Restated * 2008 £m
Profit / (loss) for the year	0.8	(155.3)
Other comprehensive income:		
Foreign currency translation differences of foreign operations	1.1	(1.3)
Defined benefit plan actuarial gains and losses	(28.2)	(71.7)
Income tax relating to defined benefit plan actuarial gains and losses	7.9	20.1
Adjustment in respect of minimum funding requirement on defined benefit plans	2.9	42.1
Income tax relating to adjustment in respect of minimum funding requirement on defined benefit plans	(0.8)	(11.8)
Other comprehensive income for the year, net of tax	(17.1)	(22.6)
Total comprehensive income for the year	(16.3)	(177.9)

* see note 1

Statement of Changes in Equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2008	32.8	56.8	2.5	12.6	(0.4)	202.9	307.2
Total comprehensive income for 2008							
Loss for the year as previously reported	-	-	-	-	-	(160.1)	(160.1)
Effect of prior year adjustment (note 1)	-	-	-	-	-	4.8	4.8
Restated loss for the year	-	-	-	-	-	(155.3)	(155.3)
Other comprehensive income for the year, net of tax	-	-	-	-	(1.3)	(21.3)	(22.6)
Total comprehensive income for the year	-	-	-	-	(1.3)	(176.6)	(177.9)
Dividends	-	-	-	-	-	(15.9)	(15.9)
Share based payments	-	-	-	-	-	0.2	0.2
Disposal of own shares in share trusts	-	-	-	-	-	0.1	0.1
Balance at 31 December 2008 (restated)	32.8	56.8	2.5	12.6	(1.7)	10.7	113.7
Balance at 1 January 2009	32.8	56.8	2.5	12.6	(1.7)	10.7	113.7
Total comprehensive income for 2009							
Profit for the year	-	-	-	-	-	0.8	0.8
Other comprehensive income for the year, net of tax	-	-	-	-	1.1	(18.2)	(17.1)
Total comprehensive income for the year	-	-	-	-	1.1	(17.4)	(16.3)
Issue of ordinary shares	0.3	-	-	-	-	(0.3)	-
Share based payments	-	-	-	-	-	8.5	8.5
Balance at 31 December 2009	33.1	56.8	2.5	12.6	(0.6)	1.5	105.9

The loss included in retained earnings for 2008 of £176.6m represents a loss attributable to owners of the parent of £155.3m and actuarial losses and minimum funding adjustments on defined benefit pension plans of £21.3m (£29.6m less tax £8.3m).

The loss included in retained earnings for 2009 of £17.4m represents a profit attributable to owners of the parent of £0.8m and actuarial losses and minimum funding adjustments on defined benefit pension plans of £18.2m (£25.3m less tax £7.1m).

Consolidated Balance Sheet

At 31 December 2009

	2009 £m	Restated * 2008 £m
Non-current assets		
Property, plant and equipment	307.8	336.3
Goodwill	371.4	372.2
Other intangible assets	3.1	2.4
Derivative financial instruments	23.3	38.5
Deferred tax assets	3.5	-
Investment in joint venture	-	-
Total non-current assets	709.1	749.4
Current assets		
Inventories	445.2	655.8
Trade and other receivables	107.4	133.6
Cash and cash equivalents	86.8	154.6
Non-current assets classified as held for sale	26.6	37.3
Total current assets	666.0	981.3
Total assets	1,375.1	1,730.7
Current liabilities		
Interest bearing loans and borrowings	(66.9)	(82.2)
Trade and other payables	(691.6)	(915.9)
Current tax payable	(24.8)	(19.8)
Provisions	(17.8)	(33.4)
Total current liabilities	(801.1)	(1,051.3)
Non-current liabilities		
Interest bearing loans and borrowings	(358.6)	(468.2)
Deferred income	(19.8)	(19.7)
Deferred tax liabilities	-	(5.8)
Retirement benefit obligations	(81.8)	(65.4)
Provisions	(7.9)	(6.6)
Total non-current liabilities	(468.1)	(565.7)
Total liabilities	(1,269.2)	(1,617.0)
Net assets	105.9	113.7
Capital and reserves		
Called up share capital	33.1	32.8
Share premium account	56.8	56.8
Capital redemption reserve	2.5	2.5
Other reserves	12.6	12.6
Translation reserve	(0.6)	(1.7)
Retained earnings	1.5	10.7
Total equity attributable to equity shareholders of the company	105.9	113.7

* see note 1.

Consolidated Cash Flow Statement

Year ended 31 December 2009

	2009	Restated *
	£m	2008 £m
Cash flows from operating activities		
Profit / (loss) for the year	0.8	(155.3)
Adjustment for loss from joint venture	-	4.0
Adjustment for taxation	0.5	(38.7)
Adjustment for net financing expense	55.4	53.9
	56.7	(136.1)
Depreciation and amortisation	47.8	56.3
Share based payments	0.5	0.2
Profit / (loss) on sale of businesses and property	(1.1)	5.2
Impairment of property, plant and equipment	0.8	15.2
Impairment of assets held for sale	1.4	18.3
Reversal of impairment of assets held for sale	(1.0)	-
Release of accruals no longer required	-	(6.4)
Goodwill impairment	0.8	58.1
Changes in inventories	149.1	77.0
Changes in trade and other receivables	28.0	68.1
Changes in trade and other payables	(162.7)	(110.6)
Changes in retirement benefit obligations	(12.7)	(19.0)
Changes in provisions	(14.3)	27.3
Cash generated from operations	93.3	53.6
Taxation refunds received	2.3	15.0
Interest received	0.9	11.0
Interest paid	(47.3)	(75.1)
Net cash from operating activities	49.2	4.5
Cash flows from investing activities		
Proceeds from sale of businesses	0.6	7.7
Purchase of property, plant and equipment	(103.8)	(150.1)
Proceeds from sale of property, plant and equipment	90.3	130.6
Receipts from sales of investments	-	0.1
Net cash used in investing activities	(12.9)	(11.7)
Cash flows from financing activities		
Payment of capital element of finance lease rentals	(3.1)	(4.1)
Repayment of bank loans	(88.8)	(44.0)
Proceeds from issue of loans	-	169.4
Payment of transaction costs related to loans and borrowings	(8.1)	-
Dividends paid to shareholders	-	(15.9)
Net cash (outflow) / inflow from financing activities	(100.0)	105.4
Effects of exchange rate changes on cash held	(4.1)	3.8
Net (decrease) / increase in cash and cash equivalents	(67.8)	102.0
Cash and cash equivalents at 1 January	154.6	52.6
Cash and cash equivalents at 31 December	86.8	154.6

* see note 1

Notes to the Financial Statements

1. Basis of preparation

The summary financial statements are presented in millions of UK pounds, rounded to the nearest £0.1million. They have been prepared under the historical cost convention except for certain financial instruments which are stated at their fair value. In addition non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The summary financial statements have been prepared on a going concern basis. In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

During the year the Group has renewed its borrowing facilities, the majority of which now expire in 2012. Current forecasts and projections taking account of potential changes in market circumstances show that the Group should be able to operate within the level of the current facilities and covenants applicable to the facilities.

The directors are of the opinion that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

The preparation of summary financial statements in conformity with adopted IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the summary financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Non-underlying items are presented in the consolidated income statement being those items that are unusual because of their size, nature or incidence. The directors consider that these items should be disclosed separately to enable a full understanding of the Group's results. The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual was previously included within underlying profit but due to the volatility of this amount it is now shown as a non-underlying item. The 2008 comparatives have been updated accordingly.

Prior year adjustments

In preparing the accounts for the year ended 31 December 2009 and as a result of ongoing discussions with the Financial Reporting Review Panel, the directors have reconsidered and adjusted the accounting for certain matters in the prior period. These adjustments are non-cash and do not impact underlying profit in the prior year, current year or future years.

At 31 December 2008, the Group accrued £6.6 million of professional fees, which comprised the lender's own professional fees that the Group had by that date agreed to reimburse and fees for professional services provided directly to the Group in relation to the refinancing. Although the professional services were performed in 2009, the directors took the view that these costs were unavoidable at 31 December 2008 and accrued for them accordingly at that date. However, having examined the accounting in more detail, the directors have concluded that these costs should not have been accrued in last year's accounts because the service had not been provided at that date. Instead they have now been expensed in the year ended 31 December 2009. Consequential adjustments have also been made in respect of the tax effect of these amounts. The amounts impacted in the financial statements are summarised below:

	2009 £m	2008 £m
Consolidated income statement:		
Decrease in finance expense and net finance costs	-	6.6
Decrease in loss before tax	-	6.6
Decrease in income tax credit	-	(1.8)
Decrease in loss for the year	-	4.8
Increase in basic earnings per share	-	0.8p
Increase in diluted earnings per share	-	0.8p
	2009 £m	2008 £m
Consolidated balance sheet:		
Decrease in accruals, current liabilities and total liabilities	-	6.6
Increase in deferred tax liability	-	(1.8)
Increase in net assets	-	4.8

There has been no effect on earnings per share in the current year as a result of this restatement. There has been no effect on other comprehensive income as a result of this restatement. Consequential adjustments have been made to the cash flow statement in order to reconcile the restated loss for the year to net cash from operating activities. In addition in 2008 accruals no longer required of £6.4m were released to profit and loss. The release of these accruals was offset against non-underlying impairment of assets held for sale to show a net impairment of £11.9m in the 2008 accounts. These amounts have now been disclosed separately in the comparative column resulting in the impairment of assets held for sale being £18.3m and a release of accruals of £6.4m credit. This adjustment has no effect on profit for the year ended 31 December 2008. In addition to the above, deferred tax balances in the 2008 balance sheet have been reclassified to disclose deferred tax balances as a net amount, being a liability of £5.8m having adjusted for the prior year adjustment above. Previously these amounts were shown as separate deferred tax assets of £25.1m and deferred tax liabilities of £29.1m.

The above adjustments have no effect on the balance sheet at 1 January 2008 or on the profit or loss for any earlier period. Accordingly no restated balance sheet at 1 January 2008 has been presented.

2. Non-underlying items

	2009 £m	Restated 2008 £m
Within Turnover		
Turnover from closed businesses	19.0	136.9
Within cost of sales		
Cost of sales of closed businesses	(16.1)	(123.4)
Within operating expenses:		
Operating expenses and closure costs incurred on closed businesses	(11.5)	(33.2)
Goodwill impairment	(0.8)	(58.1)
Impairment of property, plant and equipment	(0.8)	(15.2)
Impairment of assets held for sale	(1.4)	(18.3)
Reversal of impairment and depreciation adjustment on assets de-classified as held for sale	1.0	-
Redundancy costs	(2.1)	(5.4)
Exceptional VAT refund – net of costs	-	6.8
Inventory write down	-	(24.9)
Release of accruals no longer required	-	6.4
Professional fees	(1.3)	(1.5)
VAT assessment provision	16.2	(26.8)
	(0.7)	(170.2)
Within other income - gains / (losses) on the sale of businesses and property:		
Gains on the sale of businesses	0.1	0.9
Gains / (losses) on the sale of property	1.0	(6.1)
	1.1	(5.2)
Within finance expense:		
Interest on pension scheme obligations	(19.4)	(18.7)
Net loss on refinancing	(8.3)	(4.6)
	(27.7)	(23.3)
Within finance income:		
Interest on pension scheme assets	15.6	22.7
Interest received on VAT refund	-	8.3
	15.6	31.0
Within share of (loss) / profit before tax from joint venture		
Impairment of investment in joint venture	-	(6.2)

Non-underlying items are those items that are unusual because of their size, nature or incidence. The Group's management consider that these items should be disclosed separately to enable a full understanding of the Group's results. The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual was previously included within underlying profit but due to the volatility of this amount it is now shown as a non-underlying item. The 2008 comparatives have been updated accordingly.

The following amounts have been presented as non-underlying items in the financial statements:

Goodwill impaired during the year was £0.8m (2008: £58.1m).

Group tangible fixed assets and assets held for sale have been reviewed for possible impairments in the light of economic conditions. As a result of this review there was an impairment charge of £0.8m recognised against tangible fixed assets (2008: £15.2m) and £1.4m recognised against assets held for sale (2008: £18.3m). In addition, a release of £1.0m was made on de-classification of assets held for sale.

Losses incurred on the closure of business amounted to £8.6m (2008: £19.7m). These costs include wind down expenses, recognised from the date of the announcement to close, losses on assets, redundancy and vacant property occupancy costs.

The Group has also undertaken a programme of redundancies in its core businesses in light of market conditions as a result of the current economic situation, resulting in non-underlying payments of £1.7m (2008: £5.4m). In addition a payment in respect of compensation for loss of office of £0.4m was made to D R Forsyth on the termination of his employment as a director of the Company.

During the previous year a VAT refund of £6.8m net of costs in respect of VAT overpaid on demonstrator vehicles over the period 1973 to 1996 was received. Associated interest received in the previous year of £8.3m is disclosed within finance income.

During the refinancing process the Group investigated the possibility of an equity raising. This process was abandoned during 2009 prior to the successful refinancing of the Group and as a consequence £1.3m of professional fees were written off in 2009 as a non-underlying item.

During 2008 as previously announced we investigated the potential disposal of Pinewood. This disposal process did not proceed to completion and the professional costs of £1.5m of the exercise were written off as a non-underlying item.

At 31 December 2008 the Group had made provision of £26.8m in respect of assessments raised by HM Revenue and Customs over the VAT treatment of sales of vehicles to certain disabled customers and the VAT treatment of partial exemption within our finance and insurance operations. The latter issue has been resolved during the year with HM Revenue and Customs conceding the case. As a consequence of this the provision in respect of this matter of £16.2m has been released. The Group is in continuing discussions with HM Revenue and Customs over the VAT treatment of sales of vehicles to certain disabled customers. We have received VAT assessments in respect of this issue and received advice that it is possible that the Group will not be successful defending the claim though we will continue to defend our position. The total provision has therefore decreased to £10.6m at 31 December 2009.

During 2008, particularly the second half of the year, values of used cars fell dramatically resulting in certain stock suffering an exceptional loss in value compared to its realisable value. In addition, given the dramatic fall in demand for certain types of new cars which resulted in significantly higher stock levels, the cost of this stock was higher than its realisable value. This fall in value was unprecedented and not expected to recur. A stock provision of £24.9m was recognised in respect of these issues and presented as a non-underlying item. These conditions also had a knock on impact in our contract hire business where the repurchase commitments in respect of vehicles at the end of the contract life had resulted in the need for an impairment provision of £6.3m in 2008 in respect of the vehicles which are classified in fixed assets. The movement in the stock provision has largely been in respect of utilisation against losses incurred in the year and due to the absence of any exceptional change in used car values all other movements are not material and have therefore been recognised within the underlying result.

During 2008 the Group resolved a number of matters relating to the restructuring of certain businesses and as a result of this a number of accruals were released amounting to £6.4m. Due to the one-off nature of these amounts and their impact on profit or loss for the period these are classified as non-underlying.

The net financing return on pension obligations in respect of the defined benefit schemes closed to future accrual was previously included within underlying profit but due to the volatility of this amount it is now shown as a non-underlying item. The 2008 comparatives have been updated accordingly. A net cost of £3.8m has been incurred during the year (2008: net credit £4.0m).

Other income, being the profit on disposal of businesses and property, comprises £0.1m profit on the disposal of motor vehicle dealerships (2008: £0.9m) and a £1.0m profit on sale of properties (2008: £6.1m loss).

Upon the successful completion of the refinancing on 30 April 2009 a net loss of £8.3m was recorded. This included refinancing related costs of £22.7m (2008: £1.7m) and a fair value gain on the inception of the loan of £14.4m. In addition, during the previous year the Group incurred a fee of £2.9m in respect of deferral of covenant measurements during the period of negotiations for the bank refinancing.

3. **Earnings per share**

	2009	2009	Restated 2008	Restated 2008
	Earnings per share pence	Earnings Total £m	Earnings per share pence	Earnings Total £m
Basic earnings per share	0.1	0.8	(24.4)	(155.3)
Adjusting items:				
Goodwill impairment	0.1	0.8	9.1	58.1
Impairment of investment in joint venture	-	-	1.0	6.2
Impairment of property, plant and equipment	0.1	0.8	2.4	15.2
Impairment of assets held for sale	0.2	1.4	2.9	18.3
Reversal of impairment and depreciation adjustment on assets de-classified as held for sale	(0.2)	(1.0)	-	-
Losses incurred on closed businesses	1.4	8.6	3.1	19.7
Redundancy costs	0.3	2.1	0.8	5.4
Exceptional VAT refund	-	-	(1.1)	(6.8)
Loss / (profit) on business and property disposals	(0.2)	(1.1)	0.8	5.2
Net loss on refinancing	1.4	8.3	0.8	4.6
Professional fees	0.2	1.3	0.2	1.5
Net interest on pension schemes	0.6	3.8	(0.6)	(4.0)
VAT assessment provision	(2.5)	(16.2)	4.2	26.8
Inventory and repurchase commitment write down	-	-	3.9	24.9
Release of accruals no longer required	-	-	(1.0)	(6.4)
Interest received on VAT refund	-	-	(1.3)	(8.3)
Tax effect of adjusting items	(0.4)	(2.4)	(4.3)	(27.2)
Adjusted earnings per share	1.1	7.2	(3.5)	(22.1)
Diluted earnings per share	0.1	0.8	(24.4)	(155.3)
Diluted earnings per share- adjusted	1.1	7.2	(3.5)	(22.1)

The calculation of basic, adjusted and diluted earnings per share is based on the following number of shares in issue (millions).

	2009	2008
	Number	Number
Weighted average number of ordinary shares in issue	639.4	636.1
Weighted average number of dilutive shares under option	36.8	-
Weighted average number of shares in issue taking account of applicable outstanding share options	676.2	636.1

The directors consider that the underlying earnings per share figure provides a better measure of comparative performance.

4.	Finance expense		
	Recognised in profit and loss	2009	Restated
		£m	2008
			£m
	Interest payable on bank borrowings	21.1	21.3
	Interest payable on loan notes	10.6	9.6
	Net loss on refinancing (see note 2)	8.3	4.6
	Vehicle stocking plan interest	10.9	28.5
	Interest payable on finance leases	0.4	0.5
	Interest on pension scheme obligations (non-underlying)	19.4	18.7
	Less : interest capitalised	-	(0.1)
	Total interest expense	70.7	83.1
	Fair value losses – interest rate swaps	-	0.1
	Unwinding of discounts in contract hire residual values	2.0	4.4
	Total finance expense	72.7	87.6

5.	Finance income		
	Recognised in profit and loss	2009	Restated
		£m	2008
			£m
	Fair value gains - interest rate swaps	0.8	-
	Interest receivable on bank deposits	0.9	2.7
	Interest on pension scheme assets (non-underlying)	15.6	22.7
	Exceptional interest income on VAT refund (non-underlying)	-	8.3
	Total finance income	17.3	33.7

6.	Analysis of net debt	2009	2008
		£m	£m
	Cash and cash equivalents	86.8	154.6
	Current interest bearing loans and borrowings	(66.9)	(82.2)
	Non-current interest bearing loans and borrowings	(358.6)	(468.2)
	Derivative financial instruments	23.3	38.5
		(315.4)	(357.3)

7. **Tax**

The overall effective tax rate for the year was 38.5% (2008: 19.9%).

8. **Dividends**

		2009	2008
		£m	£m
	Ordinary Shares		
	Final dividend in respect of 2008 of nil per share (2007 : 2.00p)	-	12.7
	Interim dividend in respect of 2009 of nil per share (2008 : 0.50p)	-	3.2
		-	15.9

The Board are not recommending a final dividend for 2009.

9. **Pension Funds**

The net liability for defined benefit obligations has increased from £65.4m at 31 December 2008 to £81.8m at 31 December 2009. The increase of £16.4m comprises contributions of £12.7m, a charge to the income statement of £3.8m, a net actuarial loss of £28.2m and a £2.9m credit adjustment in respect of the minimum funding requirement and non-recognition of surplus. The net actuarial loss has arisen due in part to changes in the principal assumptions used in the valuation of the scheme's assets and liabilities and also the change in value of the assets held over the year. The main assumptions subject to change are the discount rate of 5.7% (2008: 6.3%) and inflation rate of 3.5% (2008: 3.0%).

10. **Annual report**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008. The financial information for 2008 is derived from the statutory accounts for 2008 which have been delivered to the registrar of companies. The auditors have reported on the 2008 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors

drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for 2009 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

Full financial statements for the year ended 31 December 2009 will shortly be published on the Groups website at www.pendragonplc.com and posted to shareholders and after adoption at the Annual General Meeting on 29 April 2010 they will be delivered to the registrar.

Copies of this announcement are available from Pendragon PLC, Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottinghamshire NG15 0DR.